

EX PARTE OR LATE FILED



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January 16, 1998

Ms. Magalie R. Salas
Secretary
Federal Communications Commission
Washington, DC 20554

RECEIVED
JAN 16 1998
FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

Re: **Ex Parte** - CC Docket No. 95-116 - Local Number Portability

Dear Ms. Salas:

This is to advise that Duane Johnson, Al Evans and Jeff Olson of GTE Network Services and I met yesterday with Chris Barnekov and Neil Fried of the Common Carrier Bureau to discuss cost recovery for implementation of local number portability. A copy of the discussion paper is attached.

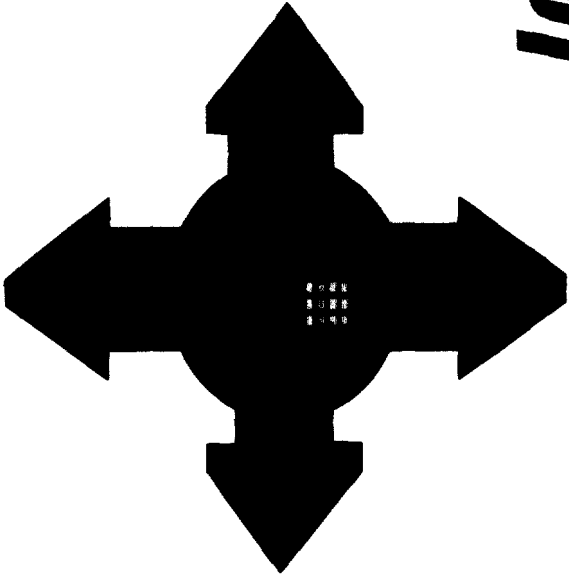
Two copies of this notice are filed in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Sincerely,

F. G. Maxson
Director - Regulatory Affairs

Attachment

C: Neil Fried
Chris Barnekov
ITS



Local Number Portability

Cost Recovery

GTE Corporation
January 15, 1998

▼ **FCC must address LNP Cost Recovery**

- ◆ Section 251(e)(2) of the Act states, "The cost of establishing telecommunications numbering administration arrangements and number portability shall be borne by all telecommunications carriers on a competitively neutral basis as determined by the Commission."
- ◆ Even though states may be involved in the cost recovery process, the FCC is responsible for designing a competitively neutral process.

▼ ***GTE Position***

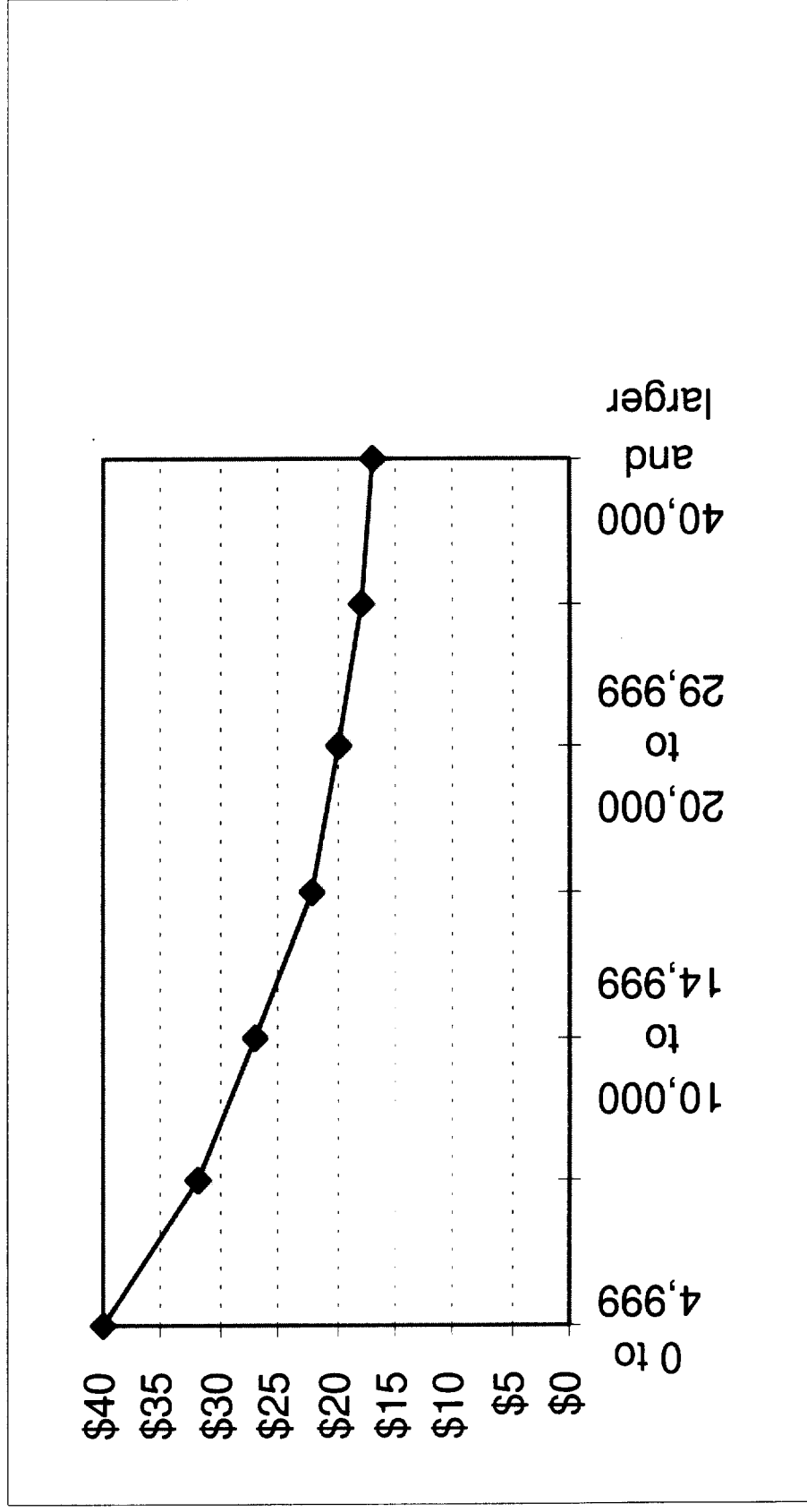
- ◆ FCC must address LNP Cost Recovery
 - Guidelines/criteria
- ◆ Cost Recovery must be competitively neutral
 - Effect in the marketplace
 - Impact on Competitors
- ◆ All direct costs eligible for recovery
 - “But for” office upgrades/OSS modifications
 - Waivers permitted absent recovery
- ◆ Recover your “own costs” is unfair/not neutral
 - “Own costs” reflect historical circumstances, not efficiency
 - Pooling would “neutralize” inequities

▼ ***What are GTE's Type 2 LNP costs?***

Host/Remote Clusters Grouped by Line Size	Number of Clusters in Top 100 MSAs	Average Cost per Line*
0 to 4,999	60	\$40
5,000 to 9,999	75	\$32
10,000 to 14,999	74	\$27
15,000 to 19,999	49	\$22
20,000 to 29,999	91	\$20
30,000 to 39,999	52	\$18
40,000 and larger	54	\$17
Total and Weighted Avg.	455	\$23

*Data updated 1/13/98

▼ Type 2 Cost per Line



▼ ***Comparison of GTE to others***

- ◆ GTE has lower density in initial LNP conversions than the average RBOC within the top 100 MSAs:

	<u>COs/Clusters*</u>	<u>Lns/Cluster</u>	<u>MSAs</u>
GTE	455	17,700	58
RBOC	499	25,000	14

- ◆ GTE has higher Type 2 switching costs per line**:
GTE - \$23 RBOC - \$16 CLEC - ??

*Represents CO clusters for GTE and RBOC reported switches

**Assumes similar pricing from switch vendors for all parties and allocation of SS-7 cost to converted lines, updated 1/13/98

▼ ***Cost recovery must be competitively neutral***

- ◆ “Competitively neutral” must be judged by its effect in the marketplace and on competitors.
- ◆ LNP cost recovery must not affect consumers’ decisions to either remain with their current service provider or select a new provider.
- ◆ LNP should encourage competition, but it must not advantage one competitor over another.
- ◆ Requiring carriers to recover their own Category 1 and 2 LNP costs without any levelization mechanism will violate above three principles.

▼ ***Direct costs must be recovered***

- ◆ All costs directly associated with the implementation of LNP must be recoverable.
 - Office upgrades, that would not be required "but for" LNP, must be considered a direct cost of number portability.
 - Costs of modifying Operations Support Systems to provide LNP must be recovered in a competitively neutral manner.
- ◆ Offices must be eligible for waivers from the LNP requirement if FCC rules do not result in cost recovery.

▼ ***“Recover your own costs” Is unfair***

- ◆ It will be more expensive for ILECs to establish LNP in their networks than for new competitors.
 - Costs are driven by the number of switches and the number of subscriber lines per switch.
 - Historical exchange structures leave incumbents with virtually no control over this driver.
 - Rural service areas tend to have fewer lines per switch, resulting in higher LNP implementation costs per subscriber.
- ◆ Costs of implementing LNP vary greatly among ILECs, with RBOCs having lower cost per line than others.
- ◆ Unequal LNP costs borne by competitors will not result in competitive neutrality.

▼ ***Pooling will eliminate inequities***

- ◆ Similar to the Universal Service Fund, an LNP cost pool can accomplish the Telecom Act's objectives.
- ◆ Necessary controls can be developed that encourage efficiency and result in a competitively neutral effect in the marketplace.
 - A nationwide pool will result in a uniform cost recovery per line.
 - All telecommunications providers would be pool members and would recover their LNP costs.
 - State commissions can monitor estimated and actual costs of implementation for carriers under their jurisdiction.